



March 27, 2001

Honorable Robert O'Farrel
Presiding Judge of the Superior Court
Monterey County
P.O. Box 1819
Salinas, CA 93902

Re: ***Community Housing Improvement Systems and Planning
Association (CHISPA) and Its Role in Vista De La Terraza
Cooperative (Cooperative).***

Dear Judge Robert O'Farrel:

The following is CHISPA's response to the above referenced matter pursuant to Penal Code Section 933(c) and 933.05(a) and (b).

Finding No. 1

CHISPA agrees with the Civil Grand Jury's finding.

Finding No. 2

CHISPA agrees with the finding that the buildings are due for maintenance, which is normal for a 15-year old multi-family complex. Recent improvements include replacement of certain kitchen counter tops, new appliances, patio repairs and roof repairs. During 1999-2000, \$126,580 was expended from the replacement reserve account for sidewalk repairs and improvements to the ground water drainage system. All of these improvements were approved by the regulatory agency that provides oversight of the housing development, the State Department of Housing and Community Development (HCD).

As of September 30, 2000, the balance in the replacement reserve account was \$21,637. This amount is barely sufficient for minor repairs anticipated during the fiscal year given the age of the buildings. Major maintenance expenses would have to be covered through other sources that may not be readily available.

The property management company, CHISPA Housing Management, Inc. (CHMI), is in the process of developing a projected replacement schedule for the complex. Preliminary estimates indicated that structural repairs to the balconies of the buildings would be around \$500,000. Other items of concern include roof replacement, termite control and painting. The costs for these additional items are estimated to be \$300,000 - \$375,000. As a result of these added costs, the Cooperative would incur additional costs, above and beyond the purchase price. Therefore, these additional maintenance and replacement costs may have an impact on the buyout of the property.

Finding No. 3

CHISPA agrees with the Civil Grand Jury's finding.

Finding No. 4

CHISPA agrees with the Civil Grand Jury's finding.

Recommendation No. 1

This recommendation requires further analysis. The Civil Grand Jury is correct in its statement that CHISPA has fulfilled its legal responsibilities to the Cooperative. CHISPA's only contractual relationship with the Cooperative is through CHISPA's property management company, CHISPA Housing Management, Inc. (CHMI). CHMI only provides property management services. The Cooperative, which has a leasehold interest in the property, has full responsibility for the property. Therefore, CHISPA does not have a legal obligation to provide funding for maintenance and repairs to the housing complex.

In March 1996, CHMI Staff, in consultation with its legal counsel, worked with the Vista De La Terraza Cooperative's Board and members in the analysis of exercising the option to purchase the property. After presenting the options available to the members, a majority of the members of the Cooperative voted not to pursue the purchase of the property. At this time, CHISPA has not received any strong indication from the Board Members or members of the Cooperative that they wish to reconsider this issue.

Last year, CHMI Staff was successful in securing a bilingual staff member from the Community Foundation of Monterey County to provide board training for the Board Members of the Cooperative. In addition to the board training, CHMI had hoped to obtain funding from the Community Foundation for the purpose of hiring a grant writer. Unfortunately, after the initial presentation by the Community Foundation's staff, the Board Members of the Cooperative did not want to receive additional training. The primary reason for this response was that the Board Members thought that CHISPA/CHMI should take responsibility for the Cooperative. We explained to the Board Members that the responsibility of the housing complex lies with the Board and Members of the Cooperative. We also explained that CHISPA does not have a contractual relationship with the Cooperative and that CHMI merely provides property management services. We believe that, prior to obtaining additional funding for the Cooperative, it is important that the Board Members of the Cooperative have a full understanding of their roles and responsibilities as board members. This is also true with respect to addressing some of the other recommendations that were made by the Civil Grand Jury.

Recommendation No. 2

This recommendation requires further analysis and a determination from the members of the Cooperative of their desire to pursue the purchase of the property. Assuming that the Cooperative elects to exercise its option to purchase, a considerable amount of staff time will have to be allocated to write grants for additional funding. Unfortunately, Monterey County is currently facing a severe housing crisis and CHISPA does not have the staff resources to assist the Cooperative in writing grants. The Cooperative does have other resources available. For example, the Community Foundation of Monterey County provides neighborhood groups such as the Cooperative with small planning grants that can be used to hire a grant writer.

Recommendation No. 3

This recommendation has not been implemented yet. Neither CHISPA nor CHMI is in the position of providing legal advice to the Cooperative. However, CHMI will ask the Board Members of the Cooperative if they wish to hire an attorney to provide them with legal advice regarding the legal requirements of a buyout. Also, the property management staff will establish and present a schedule of long-term property maintenance needs for the buildings to the Board Members of the Cooperative.

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Recommendation No. 4

This recommendation will not be implemented because it is not warranted. Since the mid-1980's, CHISPA has not constructed additional cooperative housing complexes. CHISPA has already examined and looked at the strategic direction of the organization and has focused its efforts in providing home ownership opportunities through its mutual self-help (sweat equity) program. In summary, CHISPA agrees with the Civil Grand Jury's recommendation and will continue to expand its successful mutual self-help program as a means of achieving home ownership.

We hope that the above responses satisfactorily address the concerns that were raised by the Civil Grand Jury. If you should have any questions or need additional information, please contact Alfred Diaz-Infante, Pres./CEO, at (831) 757-6251, ext. 130

Sincerely,

COMMUNITY HOUSING IMPROVEMENT SYSTEMS
AND PLANNING ASSOCIATION, INC.

A handwritten signature in cursive script that reads "Kristine Edmunds". The signature is written in black ink and is positioned above the printed name of the signatory.

Kristine Edmunds, Board Chair